

AMWAY GLOBAL ENTREPRENEURSHIP REPORT

2016

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“The most difficult thing is the decision to act. The rest is merely tenacity. The fears are paper tigers. You can do anything you decide to do. You can act to change and control your life and the procedure. The process is its own reward.”¹ AMELIA EARHART

While entrepreneurs already have taken this most difficult step, potential entrepreneurs still have to overcome this obstacle. The Amway Global Entrepreneurship Report 2016 (AGER) provides a current view on potential entrepreneurship in 45 countries. By surveying the general population about their dreams and fears, the AGER aims to stimulate the discussion about entrepreneurship around the world.

MANAGEMENT SUMMARY

The results of the AGER 2016 confirm that people around the world have a positive attitude towards entrepreneurship – more than three quarters share this opinion. This value has been stable and at a high level over the past three years. This positive attitude is reflected in the entrepreneurial potential – more than 40 percent of the surveyed people can imagine starting a business.

The Amway Global Entrepreneurial Spirit Index delves deeper into what people think about starting a business. With three motivational factors that drive the intention to start a business, the index provides a more detailed understanding of people’s feelings about becoming an entrepreneur: The desire to start a business, the confidence in one’s own abilities, and the stability against discouraging advice from others. On average, half of the respondents state having these attitudes.

In today’s changing work environment, self-employment¹⁷ gained attention as one facet of entrepreneurship – that is, working as an independent contractor who acquires and is paid directly by customers. The AGER asks people about their opinion on self-employment. Clearly more respondents expect self-employment to increase in the next five years than expect it to remain at the same level or even to decrease. If people imagine working self-employed, a slight majority of the respondents would feel comfortable with searching and acquiring customers. Almost all results have the following in common: Men are more enthusiastic about entrepreneurship than women; the positive attitude for entrepreneurship declines with increasing age; and countries whose culture is characterized by avoiding uncertainty² show lower support for entrepreneurship.

¹ Quotes by Amelia Earhart: female aviation pioneer, <http://www.ameliaearhart.com/about/quotes.html>

² Uncertainty avoidance is a cultural dimension and “expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity.” See: Hofstede, G., Hofstede, G. J., & Minkov, M. (2010). *Cultures and Organizations: Software of the Mind*. 3rd Edition. New York: McGraw-Hill, USA.

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ENTREPRENEURIAL POTENTIAL

Entrepreneurial opportunities may be seized or wasted. An important difference in this situation is whether the person facing the opportunity intends to start a business^{3,4}. When a potential entrepreneur - persons who can see themselves starting their own business - approaches an entrepreneurial opportunity, chances are higher that the person will take action. This year, the entrepreneurial potential – measured as the percentage of respondents that can imagine starting a business – remains at the same high level as in 2015. As last year, 43 percent of the respondents can imagine starting a business. However, consistent with other findings^{5,6}, the entrepreneurial potential varies across demographic groups. More men are prone to becoming an entrepreneur than women⁷. The results also show that the entrepreneurial potential declines with increasing age⁸. On average, 52 percent of the respondents younger than 35 years can imagine starting a business compared to only 33 percent in the group of 50 years and older⁹. What could cause these different opinions? Research suggests motivational factors influence the entrepreneurial potential^{3,4} which may differ between demographic groups. For the 45 countries, the Amway Entrepreneurial Spirit Index explores such factors and provides a basis for discussing measures aiming to foster the entrepreneurial potential.

THE AMWAY ENTREPRENEURIAL SPIRIT INDEX

The entrepreneurial potential can be attributed to motivational factors that show an entrepreneurial opportunity in a worthwhile and achievable way^{3,4}. The Amway Entrepreneurial Spirit Index (AESI) aims to capture three key motivational determinants that strengthen the entrepreneurial potential¹⁰. The AESI integrates respondents' opinions on:

- Desirability: whether respondents desire to start a business
- Feasibility: whether respondents feel prepared to start a business

³ Krueger, N. F. & Brazeal, D. V. (1994). Entrepreneurial potential and potential entrepreneurs. *Entrepreneurship Theory and Practice*, 18(3), 91-104.

⁴ Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Process*, 50(2), 179-211.

⁵ Zhao, H., Seigert, S. E. & Hills, G. E. (2005). The mediating role of self-efficacy in the development of entrepreneurial intentions. *Journal of Applied Psychology*, 90(6), 1265-1272.

⁶ Hatak, I., Harms, R., & Fink, M. (2015). Age, job identification, and entrepreneurial intention. *Journal of Managerial Psychology*, 30(1), 38-53.

⁷ Global average of Entrepreneurial potential for women: 38 percent, for men: 48 percent.

⁸ Global average of Entrepreneurial potential for respondent aged up to 34: 50 percent, for respondents aged between 35 and 49 years: 47 percent, and for respondents aged 50 or older: 33 percent.

⁹ The entrepreneurial potential of respondents aged 35 to 49 is 47 percent.

¹⁰ The Amway Entrepreneurial Spirit Index builds on Ajzen's (1991) Theory of Planned Behavior. *Desirability* builds on *Attitude towards the behavior*, *Feasibility* on *Perceived behavioral control*, and *Stability against social pressure* on *Subjective norm*.

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- Stability against social pressure: whether respondents would not let their social environment, such as family and friends, dissuade them from starting a business.

This year, the global AESI score is 50.¹¹ Looking at its single dimensions, 56 percent perceive starting a business as desirable, 46 percent think they possess the necessary capabilities, and 49 percent would not let their family or friends stop them from becoming an entrepreneur. In comparison to the results in 2015, the AESI remains at the same high level¹². However, similar to the entrepreneurial potential, men score higher on the AESI than women¹³ and the AESI drops for the respondents aged 50 years or older¹⁴.

Looking at the individual dimensions of the AESI for the different groups allows for a more detailed understanding. Women score lower on each dimension than men, with the most prominent difference for feasibility¹⁵. With regard to different age groups, the picture becomes more complex. While the desire to start a business decreases with increasing age, the respondents in the age group 35 to 49 years reach the highest value for feasibility. Finally, the stability against social pressure is lowest for respondents age 50 years or older. Both younger age groups reach a similar value¹⁶.

The results show that in countries with higher AESI scores, the entrepreneurial potential is higher as well. Building on these results, policy makers could target shortcomings in different demographic groups and derive specific measures to further increase the pool of potential entrepreneurs.³

THE FUTURE OF SELF-EMPLOYMENT

Self-employment is a special form of entrepreneurship.¹⁷ Compared to being in a paid position, self-employed people enjoy several benefits such as being able to organize work more freely and

¹¹ The AESI is calculated from the mean of its dimensions. The exact value of the global AESI is 50.4. The values of its dimensions are: Desirability: 55.6 percent; Feasibility: 46.2 percent; Stability: 49.4 percent.

¹² The 2015 AESI was 50.6 percent. The 2016 AESI of the countries that also participated in 2015 is also 50.3 percent.

¹³ Global average of the AESI for women: 47 percent, for men 55 percent.

¹⁴ Global average of the AESI for respondent aged up to 34 years: 55 percent, for respondents aged between 35 and 49 years: 54 percent, and for respondents aged 50 years or older: 44 percent.

¹⁵ Desirability, women: 52 percent, men: 59 percent; Feasibility, women: 41 percent, men: 52 percent; Stability, women: 47 percent, men: 52 percent.

¹⁶ Desirability, up to 34 years: 66 percent, between 35 and 49 years: 58 percent, 50 years or older: 45 percent; Feasibility, up to 34 years: 46 percent, between 35 and 49 years: 51 percent, 50 years or older: 42 percent; Stability, up to 34 years: 54 percent, between 35 and 49 years: 52 percent, 50 years or older: 45 percent.

¹⁷ AGER 2016 uses following definition for self-employment: "While an employee receives a regular salary by one company, a self-employed person needs to be paid directly by customers. Self-employed people earn revenue for themselves by searching for and acquiring customers to whom they will sell products or provide services."

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mostly having higher incomes.^{18,19} Advantages, however, come with certain risks as well. The self-employed typically face distinctly higher efforts and more risks such as lower protection, insecurity, or perhaps having to deal with the consequences if they would fail. For people for whom the benefits outweigh the risks, self-employment may be the right choice.²⁰ Last, but not least, the society benefits from self-employment as well. Increases in self-employment have been found to be related to decreases in unemployment.^{21,22}

Self-employment currently receives increased attention.¹⁸ Partly, this comes from the proliferation of digital services that advertise jobs between potential vendors and potential customers. Jobs range from micro tasks, over ordinary services, to highly specialized development projects. In line with this recent trend, the AGER surveyed people about their expectation of how self-employment will develop in the next five years. And in fact, 40 percent of the respondents think that the amount of self-employed will increase, compared to 22 percent expecting a decrease.²³ For most countries, this expectation holds across age groups. However, the results reveal a strong age gap in many East European countries. There, respondents aged 50 years or older are notably less optimistic about the future of self-employment than the younger age groups. Yet still, the vast majority of people expect self-employment to grow in the future.

Based on the expectation that self-employment will grow, the AGER provides results on how people feel about self-employment as a career choice for themselves. An important part in the start-up process is identifying and attracting customers.^{19,24} More than half of the respondents would feel comfortable with searching and acquiring customers.²⁵ Yet again, the responses reveal that men as well as younger respondents are more confident with entrepreneurial activities.²⁵ As one might expect, the results show a strong relationship with the AESI. In countries where people perceive starting a business desirable, feel capable, and are stable against social pressure, more people are comfortable with the necessary search for customers.

¹⁸ Guerra, G. & Patuelli, R. (2016). The role of job satisfaction in transitions into self-employment. *Entrepreneurship Theory and Practice*, 40(3), 543-571.

¹⁹ Blumberg, B. F. & Pfann, G. A. (2016). Roads leading to self-employment: Comparing transgenerational entrepreneurs and self-made start-ups. *Entrepreneurship Theory and Practice*, 40(2), 335-357.

²⁰ Douglas, E. J. & Shepherd, D. A. (2002). Self-employment as a career choice: Attitudes, entrepreneurial intentions, and utility maximization. *Entrepreneurship Theory and Practice*, 26(3), 81-90.

²¹ Thurik, R., Audretsch, D., Carree, M., & van Stel, A. (2008). Does self-employment reduce unemployment? *Journal of Business Venturing*, 23(6), 673-686.

²² Blanchflower, D.G. (2000). Self-employment in OECD Countries. *Labour Economics*, 7(5), 471-505.

²³ The remaining respondents expect the percentage of self-employed remaining the same (30 percent) or are undecided.

²⁴ McGee, J. E., Peterson, M., Mueller, S. L., & Sequeira, J. M. (2009). Entrepreneurial self-efficacy: Refining the measure. *Entrepreneurship Theory and Practice*, 33(4), 965-988.

²⁵ Global average of the respondents would you feel comfortable if they would have to search for and acquire their own costumers as a self-employed person. Overall: 56 percent; women: 52 percent, for men 60 percent; respondent aged up to 34: 63 percent, for respondents aged between 35 and 49 years: 58 percent, and for respondents aged 50 or older: 48 percent.

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What motivates people to start a business? While the attitude towards entrepreneurship is overwhelmingly positive,²⁶ respondents may be motivated to become an entrepreneur by different reasons such as pecuniary and non-pecuniary motives.^{18,20} The results show that most people would be motivated by non-pecuniary motives. The two most important reasons are independence from an employer and self-fulfillment²⁷, which is more distinctive in countries with a higher GDP per capita.²⁸ There is no difference between women and men except for one motive. In more than half of the countries, notably more men are motivated by independence. Across different age groups, opinions on pecuniary and non-pecuniary motives are similar, but more respondents aged up to 50 years perceive such motives appealing. This is also reflected in the higher entrepreneurial potential in this age group.

CONCLUSION

The Amway Global Entrepreneurship Report 2016 provides a picture of how people think about entrepreneurship and self-employment today. The findings on the AESI dimensions desirability, feasibility, and stability help to understand why people of different demographic groups respond and behave differently. This provides a starting point for deriving measures that specifically aim to support groups with lower entrepreneurial potential. With the right support, people might be one step closer to embracing entrepreneurial opportunities, because “the most effective way to do it is to do it.”¹

²⁶ Global average of the positive attitude towards entrepreneurship: 77 percent.

²⁷ Global averages of the independence: 50 percent and for self-fulfillment: 47 percent.

²⁸ Data source for GDP per capita: World Bank data from 2015, <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.